ECONOMIC INDICATORS

SEPTEMBER - OCTOBER 1999

CALIFORNIA DEPARTMENT OF FINANCE

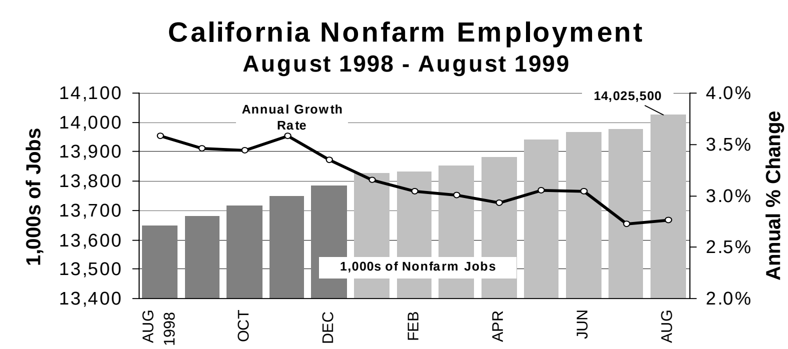
REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The California economy continues to expand at an impressive pace. While employment growth is slightly slower than last year, it is still outperforming the nation as a whole. The international export picture, which dampened manufacturing over the past year, is showing clear signs of improvement.

EMPLOYMENT

Household spending in 1999 is dramatically influencing employment growth. Strong home construction and sales are generating employment gains in building and home-related retail sales—building supply, garden, and furniture stores. Similarly, buoyant consumer confidence and the accompanying retail sales surge, are driving restaurant and auto dealership employment growth.

FIGURE ONE



NONFARM EMPLOYMENT BREAKS 14 MILLION

Nonagricultural employment in California—estimated from a large survey of employers—reached the noteworthy milestone of 14 million for the first time. Over 48,000 nonfarm jobs were added in August to bring the total to 14,025,500. Moreover, the state accounted for almost 40 percent of the entire nation's August nonfarm job growth.

Wholesale and retail trade and service employment fueled growth in August. Driven by surging consumer spending, trade employment added 16,000 jobs. Retail trade added 13,800 jobs, led by eating and drinking establishments, which added 6,100 jobs. Employment at general merchandise stores also made a significant gain of 3,100 jobs. Wholesale trade added 2,200 jobs.

Employment in services grew by 15,200 jobs in August, led by business services and motion pictures. Business services, which include computer programming and personnel supply services, added 6,500 jobs. Motion picture employment grew 1.4 percent, or 2,700 jobs, in August. Hotel and lodging employment also made a notable gain of 1,100 jobs.

Manufacturing employment in August made its largest one-month gain since May 1998—primarily from food processing growth. A late harvest season led to a dramatic (seasonally adjusted) loss of 12,660 food production jobs in July, but the August turn-around—an addition of 3,400 jobs—overcame losses in durable manufacturing to give overall manufacturing a gain of 2,600 jobs.

INSIDE

Year-over-year industry employment growth was 377,100 new jobs in August. However, recent percentage gains—2.8 percent in August and 2.7 percent in July—represent the lowest annual growth rates recorded since March 1997.

Construction Work Still Going Strong

The effect of construction and personal consumption activities is also evident in the annual growth patterns. Construction was the fastest growing major industry—expanding by 8.3 percent from the addition of 50,600 jobs.

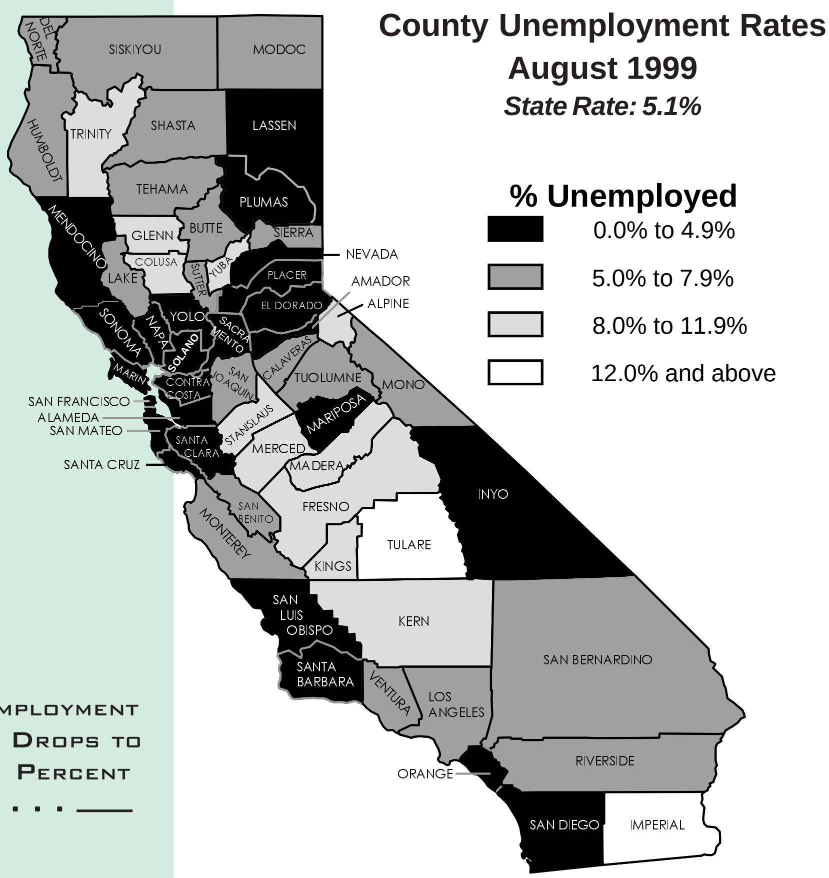
Trade added 48,500 jobs over the year with more than 20,000 at eating and drinking establishments. There was also significant growth in auto sales and service, building and garden supply, and furniture and home furnishings.

FIGURE TWO

Nonfarm Employment
August 1998 to August 1999
1,000s of Jobs

	August 1998	August 1999	Job Growth	Percent Change
TOTAL NONFARM	13,648	14,026	377.1	2.8%
Mining	25	24	(1.4)	-5.6%
Construction	612	663	50.6	8.3%
Manufacturing	1,965	1,948	(17.0)	-0.9%
Durable Goods	1,235	1,209	(26.9)	-2.2%
Nondurable Goods	729	739	9.9	1.4%
Transportation & Public Utilities	695	720	24.7	3.6%
Trade	3,136	3,184	48.5	1.5%
Wholesale Trade	803	825	21.3	2.7%
Retail Trade	2,332	2,360	27.2	1.2%
Finance, Insurance & Real Estate	804	815	11.2	1.4%
Services	4,246	4,442	196.0	4.6%
Government	2,167	2,231	64.5	3.0%

FIGURE THREE



Services added the greatest number of jobs, 196,000, nearly half (46 percent) of which was in business services. The fastest growing service sector in percentage terms was amusement and recreation, which grew by 6.0 percent over the year. Health services employment expanded by 17,300 and motion picture employment rose by 5,000.

Government employment rose by 65,000, from this time last year, primarily in local governments.

Unemployment Rate Drops to 5.1 Percent

The state's unemployment rate in August—estimated from a separate and smaller survey of households—fell to 5.1 percent. This is the state's lowest rate since February 1990—down two-tenths of a percent from July 1999. One year ago the rate was 5.9 percent. A total of 24 counties now enjoy unemployment rates below five percent, with the San Francisco Bay area still reporting the state's lowest unemployment rates.

BUILDING ACTIVITY

The growth of construction activity in California moderated during July and August. Year-over-year residential construction growth, as measured by permitted units, averaged over 18 percent during the first six months of 1999. Single-family construction in August 1999 was 9.7 percent less than a year earlier, while multi-family construction grew 14.4 percent. This left overall residential construction in August 2.2 percent below the rate at this time last year. As measured by permitted value, residential construction grew only 5.8 percent in August while nonresidential construction declined 3.5 percent, for an overall gain in total value of only 2.0 percent.

IMBALANCED CONSTRUCTION ACTIVITY

Regionally, construction activity is mixed with robust growth in Southern California and very limited growth in the San Francisco Bay Area. Within the Bay Area, growth is very uneven.

Year-over-year residential unit construction growth in the seven-county Southern California region averaged over 20 percent during the first eight months of 1999. The fastest growth to date occurred in Ventura and San Diego counties.

FIGURE FOUR

Residential Construction Growth
Southern California & S.F. Bay Area
Percent Change in Units Permitted
First 8 Mos. 1998-1999

SOUTHERN CALIFORNIA	
Imperial	-1.6%
Los Angeles	27.8%
Orange	11.5%
Riverside	19.3%
San Bernardino	14.0%
San Diego	32.3%
Ventura	45.1%
SAN FRANCISCO BAY AREA	
Alameda	-21.2%
Contra Costa	12.7%
Marin	0.2%
Napa	59.3%
San Francisco	81.5%
San Mateo	-58.0%
Santa Clara	-7.0%
Solano	27.0%
Sonoma	9.6%

Source: Construction Industry Research Board

In contrast, residential construction in the nine-county San Francisco Bay Area during the first eight months of the year grew less than one percent from the same time last year. San Francisco County is a notable exception, with residential construction growing over 80 percent from the same period in 1998. Residential construction permitting has actually declined in Alameda, San Mateo, and Santa Clara counties.

A similar pattern is evident in nonresidential construction value. The total value of commercial construction permitted during the first eight months of 1999 in Southern California grew about 14 percent from the same period in 1998. Nonresidential construction in the Bay Area has actually fallen more than one percent from the 1998 rate.

Sales of existing single-family homes reached 648,090 in August at a seasonally adjusted annual rate—2.6 percent greater than during August 1998. However the pace was 8.8 percent below the July 1999 rate. The median single-family home price in California was $223,570 in August, a 7.6 percent increase over the August 1998 median.

Home resale activity has slowed in Southern California, but remains robust in the San Francisco Bay Area, despite 14+ percent price increases. The Bay Area's torrid resale market is likely fueled in part by the reduction in new home construction, and resulting tight housing supplies.

CALIFORNIA'S INTERNATIONAL OUTLOOK

FIGURE FIVE

Leading Destinations of Made-in-California Exports

	First Half Total Export		Exports * 1st Six Mos., $Billions			GDP**	Exchange Rate***
	1996	1997	1998	1999	Yr-Over-Yr	Yr-Over-Yr	Yr-Over-Yr
NAFTA							
Mexico	4.198	5.289	6.5	6.6	1.4%	3.2%	7.9%
Canada	5.408	5.596	6.3	6.4	2.0%	3.7%	-2.0%
TOTAL			12.8	13.0	1.7%		
ASIA							
Japan	9.855	8.980	7.6	6.8	-10.7%	0.8%	-23.0%
South Korea	4.490	3.646	2.2	3.0	40.1%	9.8%	-13.4%
Taiwan	2.663	3.083	2.9	2.8	-1.3%	6.5%	-8.4%
Singapore	3.109	2.788	2.4	2.3	-1.6%	6.7%	-2.3%
Hong Kong	1.702	2.034	1.8	1.7	-5.0%	0.5%	0.1%
China	0.856	0.990	1.3	1.4	7.0%	7.1%	0.0%
Australia	1.001	1.175	1.5	1.2	-19.5%	4.1%	-8.9%
Malaysia	1.850	1.326	1.3	1.0	-23.3%	4.1%	0.0%
Philippines	1.022	1.003	0.8	0.8	4.7%	3.6%	-8.9%
Thailand	1.187	1.181	0.7	0.6	-10.9%	0.9%	-3.2%
TOTAL			22.3	21.7	-2.9%		
EUROPE							
United Kingdom	2.473	2.572	3.0	2.7	-9.0%	1.2%	3.3%
Euro 11			8.0	7.6	-5.8%	1.5%	-8.8%
TOTAL			11.0	10.3	-6.7%		
REST OF WORLD	3.417	4.149	(37.3)	(37.4)	0.1%		
TOTAL	51.329	52.412	52.4	50.2	-4.2%		

* Source: Massachusetts Institute for Social and Economic Research.
** 2d quarter 1998 to 2d quarter 1999. Source: The Economist.
*** Currency Unit/$US. Year-over-year percent change except for Euro 11 which is percent change of Euro from inception to October 1999.

Export figures for the first two quarters of 1999 provide good news for California's international trade situation. Made-in-California exports to East Asia—Korea, Hong Kong, China and Taiwan—grew for the first time since the end of 1997. This is especially noteworthy since this state is more dependent on trade with Asia than the nation as a whole. Even though made-in-California international exports overall were 1.6 percent lower during the second quarter of 1999 than a year earlier, it was the smallest drop since the first quarter of 1998.

The number of loaded containers leaving the state's two largest ports has been growing for the past several months. The number of loaded containers leaving the Port of Los Angeles in August was 1.6 percent greater than one year ago, while the growth of loaded containers leaving the Port of Long Beach was over 4 percent.

Despite the severity of the Asian economic crisis, California weathered it better than might have been expected. When the Asian economies—and their demand for imports weakened dramatically, demand from California's other major trading partners, most notably Canada and Mexico (NAFTA), grew and took up a great deal of the slack.

CURRENT PROSPECTS

Prospects for California exports have improved considerably over the past year. The main element affecting the demand for imports (i.e. U.S. or California exports) is economic growth. Growing economies typically have an appetite for more imports. Exchange rate movements can have an effect on the affordability of imported goods, but exchange rates often move in sympathy with economic growth—stronger economies often result in stronger currencies—thus reinforcing the effects of economic performance on import demand.

Perhaps masked by daily exchange rate movements, the dollar's exchange rate has moved remarkably little over the past year, based on a trade-weighted calculation. In September 1999, the US dollar's value was down less than one percent over the year. Essentially, a large drop in the dollar against the Japanese yen has been offset by gains against several other major currencies.

A look at economic growth and exchange rate trends for major international trading partners can help provide insights regarding prospects for export growth. Gross Domestic Product (GDP) growth is the most comprehensive indicator of economic growth, encompassing both consumption and investment—major markets for California-made high technology exports.

NORTH AMERICA

Positive Outlook for NAFTA Partners

Mexico and Canada receive about one-quarter of the state's total international exports and are currently enjoying healthy economic expansions. While Canada's unemployment rate in August 1999 was a high 7.8 percent, it is 0.5 percentage points below the rate one year ago. Canada's second quarter GDP recorded a vigorous 3.7 percent year-over-year growth, while Mexico grew 3.2 percent. In the second quarter of 1999, Mexico was California's leading export market, for the second time in the past year.

FIGURE SIX

	Leading Indicators		Unemployment Rate		
	Yr.-Yr.		%	Yr.-Yr.	
Mexico	2.4%	*	2.6	-0.6	*
Canada	4.3%	**	7.7	-0.7	**

* July 1999 ** June 1999

Source: Organization for Economic Cooperation and Development (OECD)

The NAFTA foreign exchange picture is mixed. Compared to a year ago, the US dollar is stronger against the Peso, but is slightly weaker against the Canadian dollar.

ASIA

Japan May Have Bottomed Out

In contrast to NAFTA, Japan—traditionally California's leading export destination—remains mired in a distressing situation. Even though its economy is no longer deteriorating, there are still no signs of a sustained recovery. After a near-9 percent jump in first quarter GDP, growth flattened in the second quarter with a slight 0.8 percent annualized gain. Recent monthly figures, such as retail sales and industrial production, are once again declining. A strong rise in Japan's index of leading economic indicators[1], improved business confidence, and financial sector improvements are optimistic signs however.

FIGURE SEVEN

	Leading Indicators		Unemployment Rate		
	Yr.-Yr.		%	Yr.-Yr.	
Japan	6.9%	*	4.9	0.8	*
South Korea	NA		6.4	-1.0	*
Australia	9%	**	6.9	-1.2	*

* July 1999 ** June 1999

Source: OECD

The Rest of Asia is Improving

On the other hand, most of California's other Asian trading partners are now reporting robust growth, which is good news for California exporters. Most Asian nations have made considerable progress in implementing needed financial reforms.

Annual GDP growth is above 3.5 percent in all major trading nations except Hong Kong and Thailand. Most significantly for California, exports to South Korea surged more than 40 per-

[1] A composite indicator based on various indicators of economic activity, which signals cyclical movements in industrial production from six to nine months in advance.

cent in the first half of 1999, as Korean real GDP soared nearly 10 percent. South Korea is the state's fourth largest international export market.

Another positive note is the fact that over the past year the dollar has weakened or remained stable against all of the currencies of this area. Most dramatically, the US dollar lost 23 percent of its value against the yen.

EUROPE

European economic growth remains sluggish, with GDP growth that has been slowing since the end of 1998. Germany and Italy reported flat second quarter activity, disappointing most observers who expected renewed growth. Overall, year-over-year growth in the 11-nation Euro currency zone was only 1.5 percent, while British GDP inched up only 1.2 percent. Soft export markets—primarily due to the Asian crisis—coupled with a weak business sentiment are the main culprits. The implementation of the Euro has not had the stimulating effect many anticipated.

Europe is Still Sluggish

Unemployment rates are still high—above ten percent on average—but are inching down. Consumer confidence is also rising, and the recovery in Asia should stimulate European exports in 2000.

In contrast to most of Asia, the dollar has strenghtened significantly over the past year against the Euro—up almost nine percent from the new currency's inception at the beginning of 1999. The dollar is also up more than 3 percent against the British pound.

FIGURE EIGHT

	Leading Indicators		Unemployment Rate		
	Yr.-Yr.		%	Yr.-Yr.	
United Kingdom	6.2%	*	6.1	-0.2	*
Germany	-1.1%	*	9.1	-0.2	*
Netherlands	1.6%	**	3.2	-0.7	**
France	1.1%	*	11.0	-0.7	*
Italy	1.2%	**	12.0	-0.3	**
Belgium	1.3%	*	9.0	-0.5	*
Ireland	11.0%	*	6.7	-1.0	*
Switzerland	1.3%	*	2.7	-1.0	*
Spain	1.6%	***	15.9	-2.9	*
Sweden	4.0%	**	6.8	-1.7	*

* July 1999 ** June 1999 *** May 1999
Source: OECD

A BETTER PICTURE

Overall the outlook for California's international trade situation has improved since last year. A year ago a strong North American demand countered the effects of the Asian crisis. Now Asia generally looks much better and prospects for neighboring Canada and Mexico remain positive. As for Japan, the outlook has improved marginally, but whether a sustainable recovery is taking hold remains to be seen. Recent European performance has been disappointing, but observers there still expect improvement late this year and in 2000.

ECONOMIC INDICATOR TABLES

SELECT INDICATORS

EMPLOYMENT

HOURS & EARNINGS

CONSUMER PRICES

CONSTRUCTION

AUTO SALES

	1999 Aug	1999 Jul	1999 Jun	1999 May	1998 Aug	Yr-Over-Yr % Change
EMPLOYMENT (Seasonally Adjusted)						
Civilian employment (000)	15,744	15,724	15,701	15,648	15,401	2.2
Unemployment (000)	838	882	892	876	970	-13.6
Unemployment rate	5.1	5.3	5.4	5.3	5.9	--
Nonagricultural wage and salary employment (000)	14,025.5	13,977.1	13,967.1	13,938.9	13,648.4	2.8
Mining	23.8	23.7	23.2	23.5	25.2	-5.6
Construction	662.6	661.7	656.2	650.1	612.0	8.3
Manufacturing	1,947.6	1,945.0	1,950.4	1,950.9	1,964.6	-0.9
High technology a/	512.1	513.3	513.8	513.8	534.3	-4.2
Aircraft and parts	81.5	82.2	82.7	83.5	89.0	-8.4
Missiles and space vehicles	22.3	22.6	22.8	22.9	25.1	-11.2
Search and navigation equipment	54.4	54.5	54.7	55.0	57.3	-5.1
Computer and office equipment	89.8	90.1	90.4	89.7	94.0	-4.5
Communications equipment	36.1	36.2	36.3	36.4	37.5	-3.7
Electronic components	157.7	157.2	156.7	156.2	159.7	-1.3
Measuring and controlling devices	70.3	70.5	70.2	70.1	71.7	-2.0
Transportation and public utilities	719.7	717.5	715.0	711.8	695.0	3.6
Trade	3,184.0	3,168.0	3,166.0	3,158.4	3,135.5	1.5
Finance, insurance and real estate	814.8	812.6	812.7	811.5	803.6	1.4
Services	4,441.7	4,426.5	4,417.6	4,411.3	4,245.7	4.6
Government	2,231.3	2,222.1	2,226.0	2,221.4	2,166.8	3.0
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	41.9	41.6	41.9	41.8	41.8	0.2
Average weekly earnings	$586.60	$582.40	$583.25	$581.02	$572.66	2.4
Average hourly earnings	$14.00	$14.00	$13.92	$13.90	$13.70	2.2
CONSUMER PRICE INDEX (1982-84=100) Not seasonally adjusted						
All Urban Consumers Series						
California Average	169.0	n.a.	167.8	n.a.	164.3	2.9
San Francisco CMSA	173.5	n.a.	171.8	n.a.	166.6	4.1
Los Angeles CMSA	166.3	165.8	165.4	166.2	162.6	2.3
Urban Wage Earners and Clerical Workers Series						
California Average	162.7	n.a.	161.6	n.a.	157.9	3.0
San Francisco CMSA	170.0	n.a.	168.3	n.a.	162.7	4.5
Los Angeles CMSA	159.8	159.2	158.9	159.7	156.1	2.4
CONSTRUCTION						
Private residential housing units authorized (000) b/	132.8	146.0	156.1	135.2	135.8	-2.2
Single units	84.7	105.5	116.8	108.2	93.8	-9.7
Multiple units	48.1	40.5	39.2	27.0	42.0	14.4
Residential building authorized valuation (millions) c/	$1,987	$2,071	$2,492	$2,104	$1,877	5.8
Nonresidential building authorized valuation (millions) c/	$1,230	$1,211	$1,468	$1,251	$1,275	-3.5
Nonresidential building authorized valuation (millions) d/	$1,289	$1,393	$1,647	$1,312	$1,343	-4.1
Commercial	297	393	663	467	490	-39.4
Industrial	249	265	186	168	207	20.4
Other	136	185	228	178	159	-14.5
Alterations and additions	607	550	570	498	488	24.4
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	143,781	134,590	128,341	132,988	124,766	15.2

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
b/ Seasonally adjusted at annual rate
c/ Seasonally adjusted
d/ Not seasonally adjusted
n.a. Not available

SELECT INDICATORS (CONTINUED)

Vacancy Rates

VACANCY RATES FOR 2ND QUARTER 1999
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	13.7	31.4	10.4	n.a.
Oakland-East Bay	7.7	11.1	6.6	--
Sacramento	9.0	7.0	9.7	n.a.
San Francisco	n.a.	n.a.	n.a.	n.a.
San Jose	n.a.	n.a.	n.a.	--
Southern California:				
Bakersfield	n.a.	n.a.	n.a.	--
Los Angeles	n.a.	n.a.	n.a.	n.a.
Orange County	10.4	--	10.4	--
San Diego	8.0	12.0	6.9	n.a.
Ventura County	8.1	--	8.1	--
National Average	n.a.	n.a.	n.a.	n.a.

n.a. Data not available at time of publication

Home Prices

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1998				1999			
Jan	$190,550	Jul	210,830	Jan	$202,370	Jul	221,370
Feb	186,420	Aug	207,780	Feb	196,838	Aug	223,570
Mar	193,910	Sep	204,440	Mar	213,490		
Apr	198,250	Oct	197,230	Apr	217,090		
May	202,960	Nov	199,920	May	225,480		
Jun	209,000	Dec	198,120	Jun	226,140		

LEADING INDICATORS/a

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.8	41.6	66,092	4,679	92.9
	Feb	4.8	41.8	56,785	4,347	124.2
	Mar	5.1	42.1	59,609	3,578	94.5
	Apr	5.0	41.9	59,107	4,061	103.3
	May	5.0	41.9	60,324	4,456	108.8
	Jun	5.0	41.9	63,124	4,405	108.7
	Jul	4.9	41.9	62,356	4,740	114.1
	Aug	5.0	42.0	62,326	4,213	114.0
	Sep	4.9	41.8	62,989	4,751	118.2
	Oct	4.9	42.0	61,242	4,681	131.4
	Nov	5.0	42.2	59,120	4,386	115.4
	Dec	5.2	42.1	58,601	4,815	109.3
1998	Jan	5.2	42.2	57,572	4,676	113.1
	Feb	5.0	41.9	60,703	4,543	116.2
	Mar	4.9	41.9	57,883	4,621	119.1
	Apr	4.5	41.1	58,845	5,275	116.1
	May	4.8	41.9	57,980	4,454	119.5
	Jun	4.9	41.9	54,154	4,777	148.3
	Jul	4.7	42.1	54,407	4,844	120.1
	Aug	4.7	41.7	53,096	4,357	135.8
	Sep	4.4	41.3	49,321	3,732	121.9
	Oct	4.7	41.8	53,693	4,617	132.8
	Nov	4.6	41.7	54,886	4,682	136.9
	Dec	4.6	41.8	54,275	4,602	129.5
1999	Jan	4.8	42.2	51,629	4,899	160.1
	Feb	4.7	41.9	53,117	5,023	143.9
	Mar	4.6	41.9	53,132	6,068	128.1
	Apr	4.7	41.9	53,377	5,371	137.1
	May	4.9	42.1	50,748	5,189	135.2
	Jun	4.8	41.9	51,006	5,621	156.1
	Jul	4.6	42.0	52,447	5,321	146.0
	Aug	4.6	41.8	49,824	5,783	132.8
	Sep	n.a.	n.a.	n.a.	5,816	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

COINCIDENT INDICATORS/a

Employment, Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,875	6.7	449
	Feb	12,966	1,886	6.5	410
	Mar	13,013	1,893	6.4	378
	Apr	13,074	1,900	6.4	399
	May	13,090	1,905	6.3	371
	Jun	13,123	1,913	6.3	384
	Jul	13,158	1,921	6.2	396
	Aug	13,176	1,925	6.2	375
	Sep	13,222	1,928	6.2	385
	Oct	13,261	1,936	6.2	383
	Nov	13,274	1,940	6.1	372
	Dec	13,337	1,949	6.1	381
1998	Jan	13,405	1,951	6.0	342
	Feb	13,425	1,956	6.0	362
	Mar	13,449	1,958	6.0	369
	Apr	13,487	1,959	5.9	369
	May	13,526	1,963	6.0	360
	Jun	13,555	1,964	5.9	359
	Jul	13,606	1,964	5.9	349
	Aug	13,648	1,965	5.9	358
	Sep	13,680	1,966	6.0	358
	Oct	13,717	1,966	5.9	329
	Nov	13,749	1,961	5.9	351
	Dec	13,783	1,960	5.9	351
1999	Jan	13,874	1,959	5.8	362
	Feb	13,879	1,953	5.6	367
	Mar	13,852	1,949	5.8	377
	Apr	13,882	1,950	5.7	365
	May	13,939	1,951	5.3	381
	Jun	13,967	1,950	5.4	384
	Jul	13,977	1,945	5.3	348
	Aug	14,026	1,948	5.1	358

Income, Wages, Taxable Sales

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1995	Qtr I	737,678	85,168	72,835
	Qtr II	752,820	86,492	74,952
	Qtr III	760,687	87,799	75,993
	Qtr IV	765,892	88,762	76,923
1996	Qtr I	786,401	93,690	79,238
	Qtr II	791,576	90,948	80,106
	Qtr III	795,922	90,009	80,398
	Qtr IV	818,180	95,666	81,225
1997	Qtr I	826,792	99,871	83,110
	Qtr II	836,688	101,755	84,808
	Qtr III	849,492	103,650	86,057
	Qtr IV	871,098	106,328	87,779
1998	Qtr I	881,347	108,143	87,601
	Qtr II	892,438	110,432	88,956
	Qtr III	903,909	111,517	90,819
	Qtr IV	940,081	118,209	91,468
1999	Qtr I	946,727	117,162	95,312
	Qtr II	951,201	116,579	97,385

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

OTHER INDICATORS

DOD Prime Contracts a/

	$ millions	% of U.S.		$ millions	% of U.S.
1981-82	22,685	21.8	1990-91	24,265	19.5
1982-83	26,387	22.2	1991-92	23,843	21.2
1983-84	28,520	23.0	1992-93	22,952	20.1
1984-85	29,115	20.8	1993-94	22,573	20.5
1985-86	27,738	20.4	1994-95	18,277	16.8
1986-87	24,515	18.4	1995-96	18,230	16.7
1987-88	23,458	18.7	1996-97	18,477	17.3
1988-89	23,125	19.3	1997-98	17,401	15.9
1989-90	22,312	18.4			

a/ U.S. fiscal year: October through September

Foreign Trade through California Ports

1998	$ millions	1999	$ millions
Jan	24,636	Jan	23,484
Feb	23,778	Feb	23,751
Mar	26,921	Mar	26,988
Apr	25,220	Apr	25,670
May	24,566	May	25,717
Jun	26,028	Jun	27,897
Jul	25,158	Jul	27,901
Aug	25,358		
Sep	25,710		
Oct	27,217		
Nov	26,044		
Dec	25,610		

Economic Indicator Charts

TECHNICAL NOTE

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

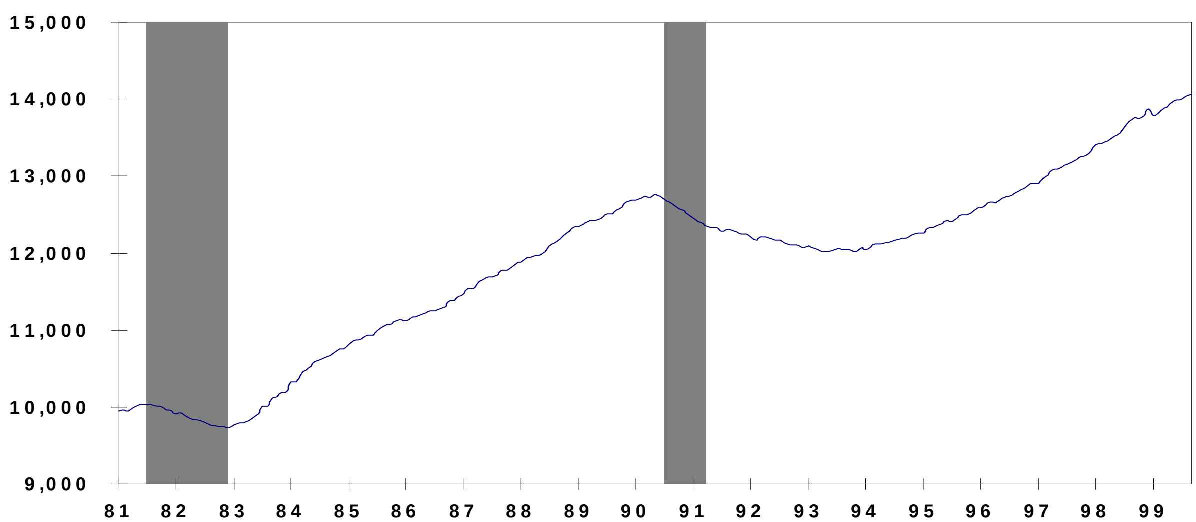
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

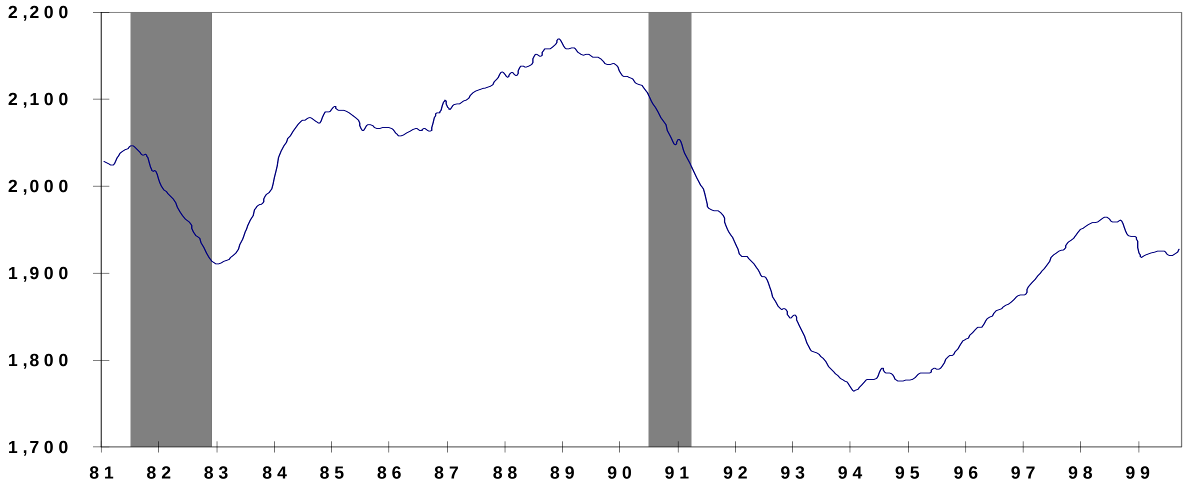
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL EMPLOYMENT
(THOUSANDS, SEASONALLY ADJUSTED)



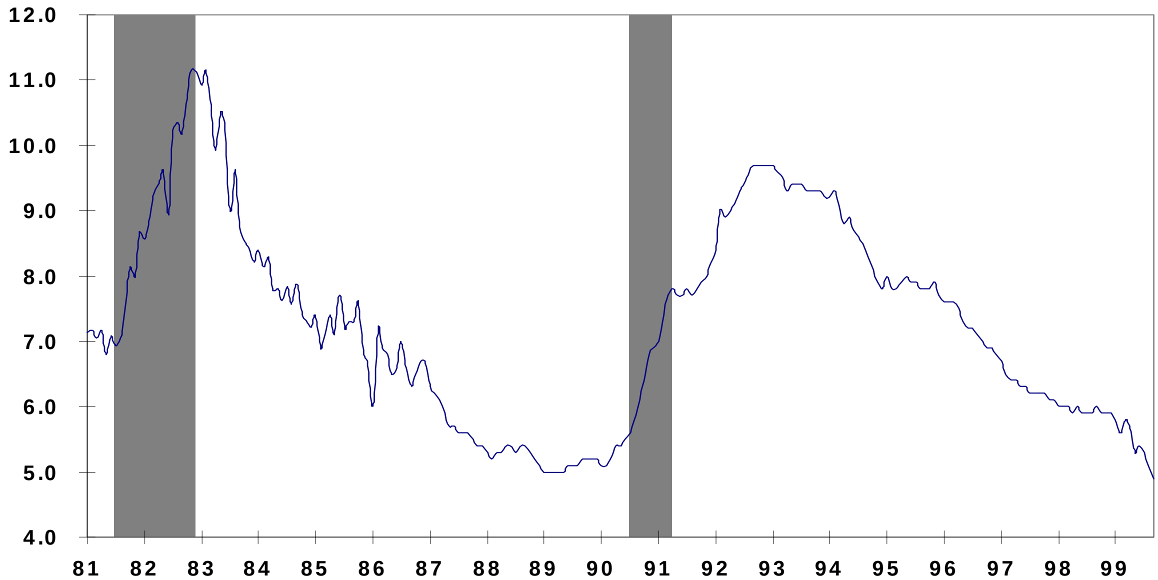
Manufacturing Employment

(Thousands, Seasonally Adjusted)



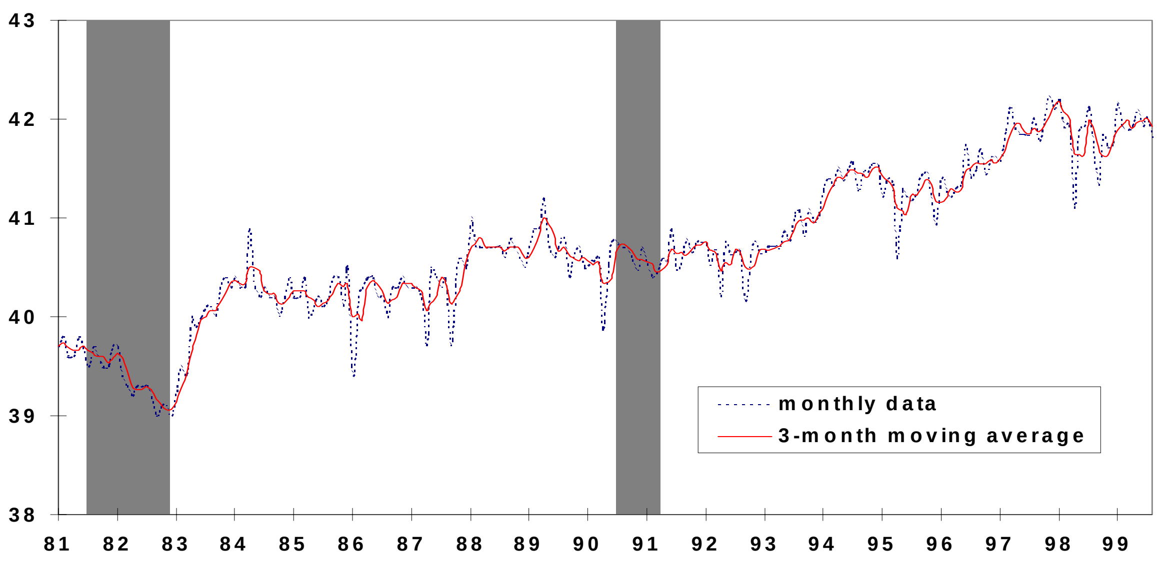
Unemployment Rate

(Percent)



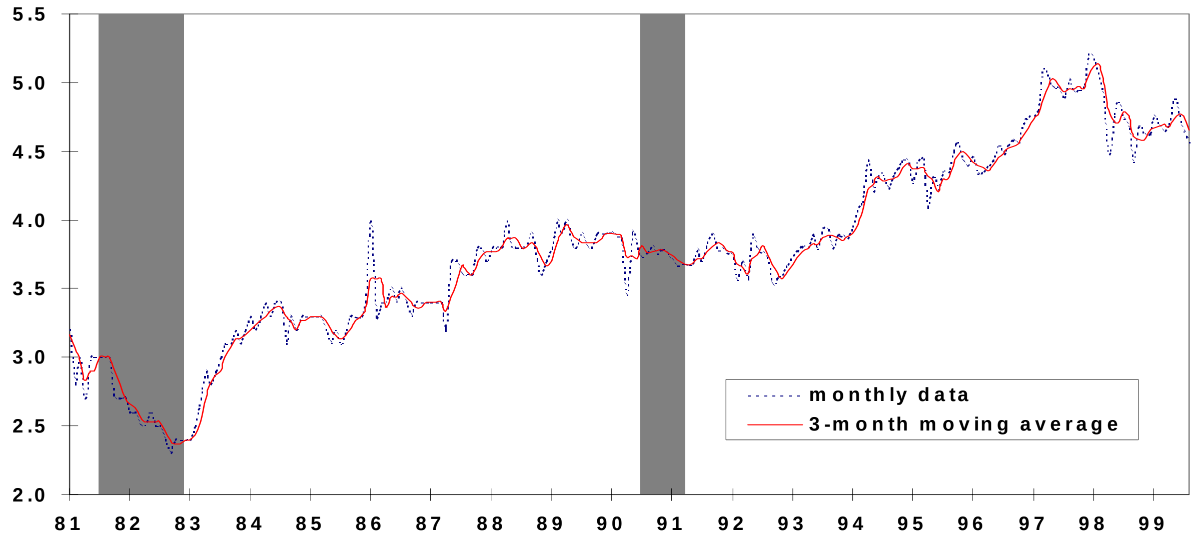
Average Weekly Hours, Manufacturing

(Seasonally Adjusted)



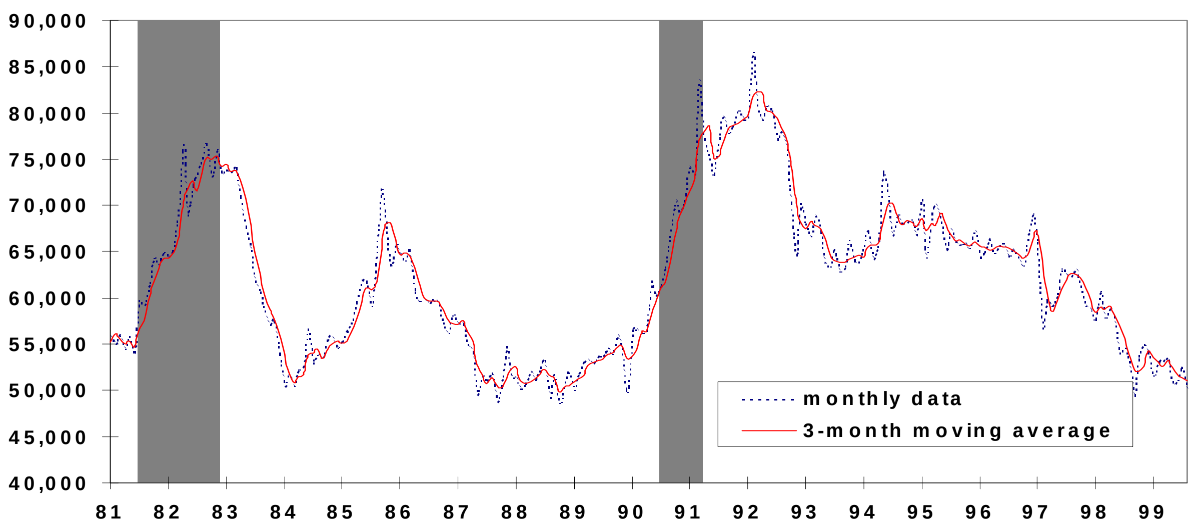
AVERAGE OVERTIME HOURS, MANUFACTURING

(SEASONALLY ADJUSTED)



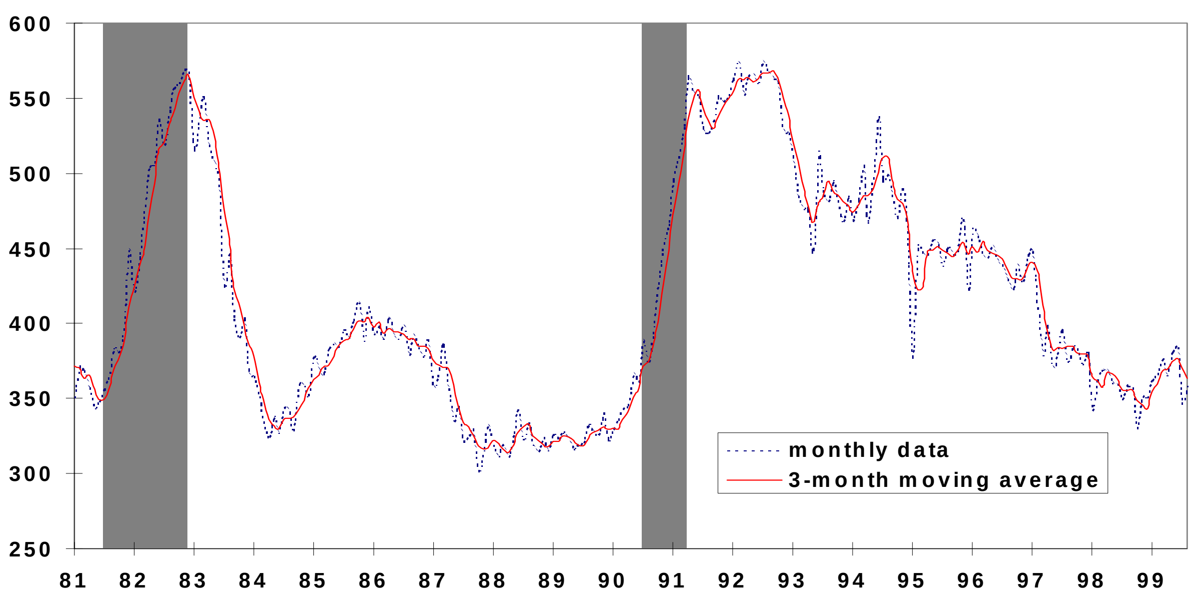
INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE

(WEEKLY AVERAGE IN THOUSANDS, SEASONALLY ADJUSTED)

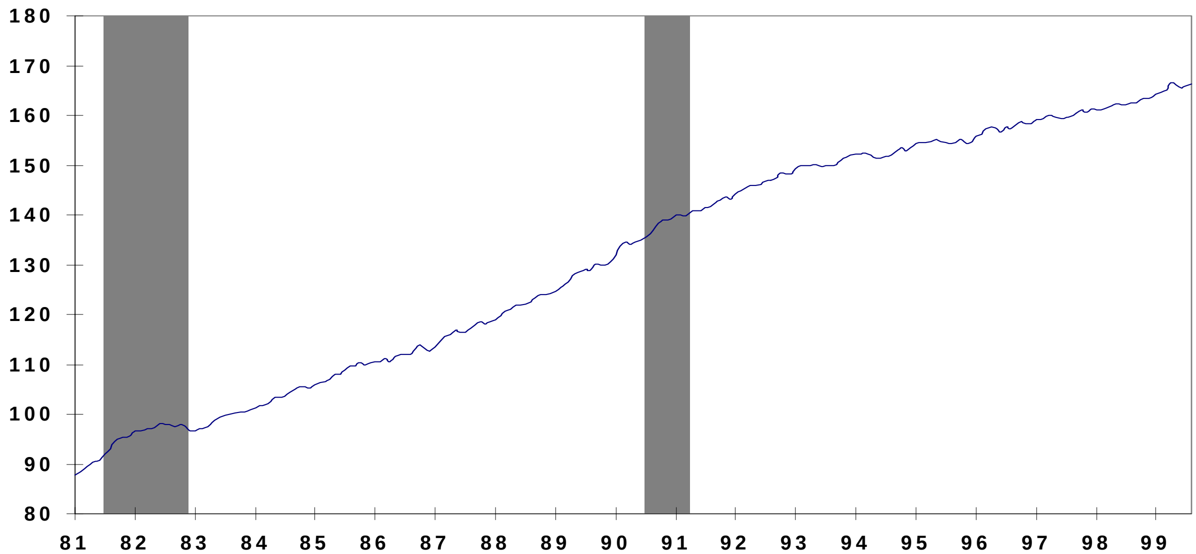


UNEMPLOYMENT, AVERAGE WEEKS CLAIMED

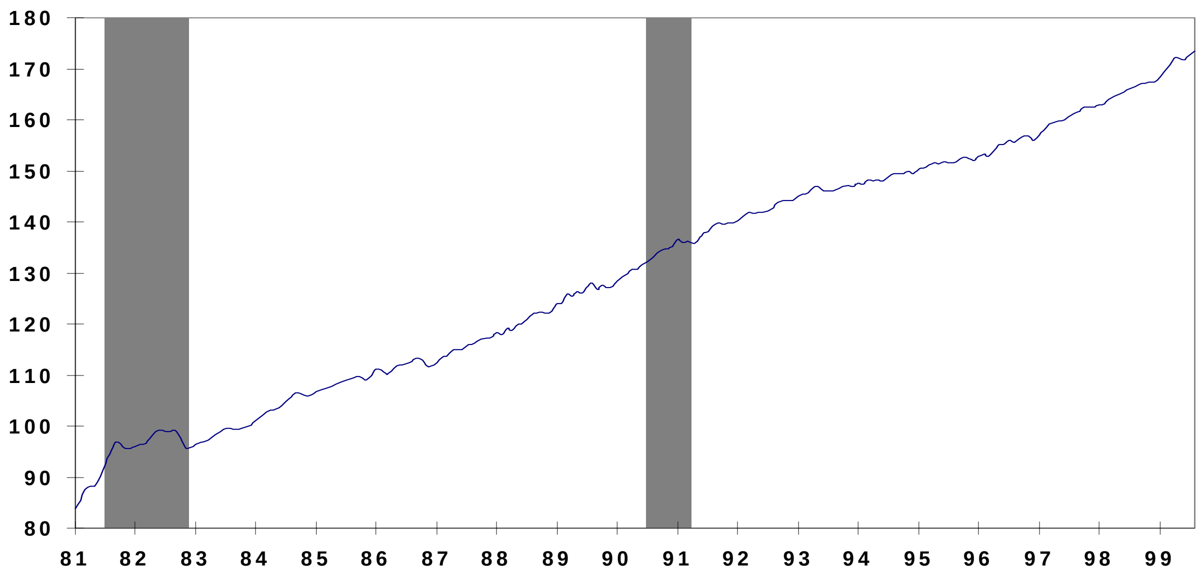
(THOUSANDS, SEASONALLY ADJUSTED)



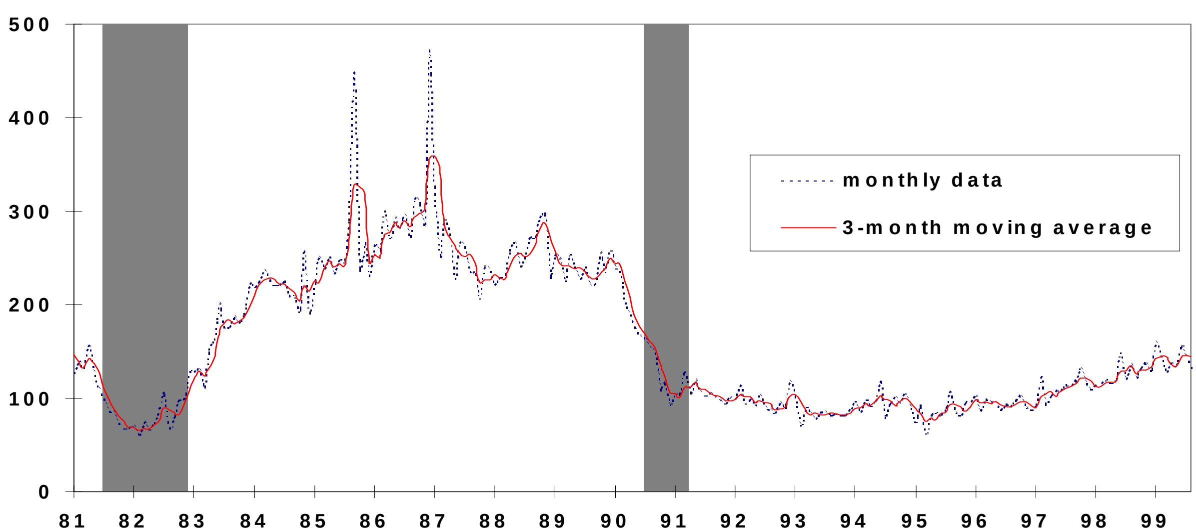
Consumer Price Index, Los Angeles (1982-84=100)



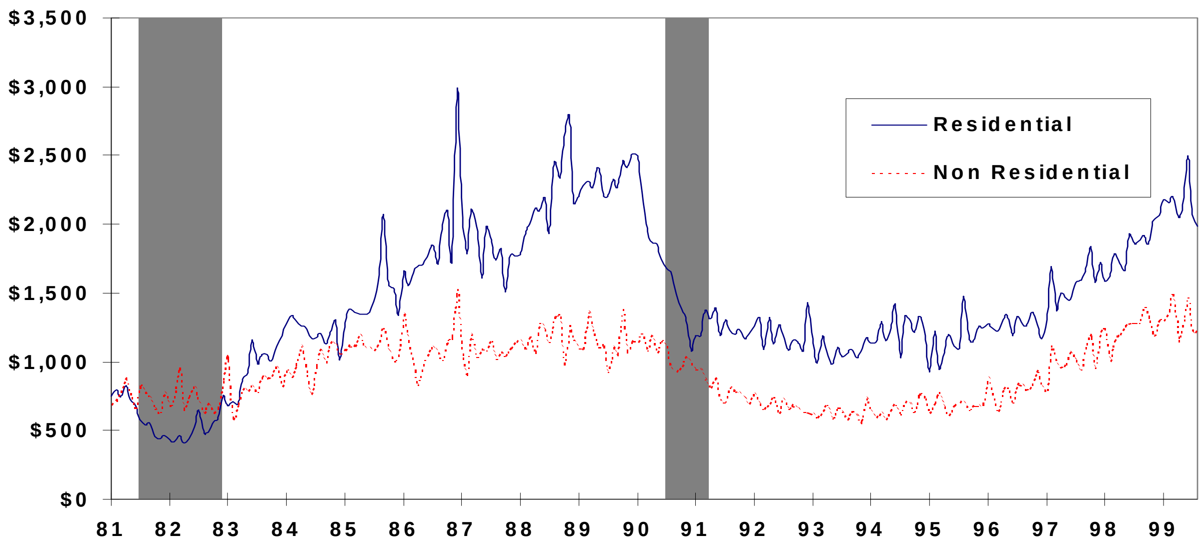
Consumer Price Index, San Francisco (1982-84=100)



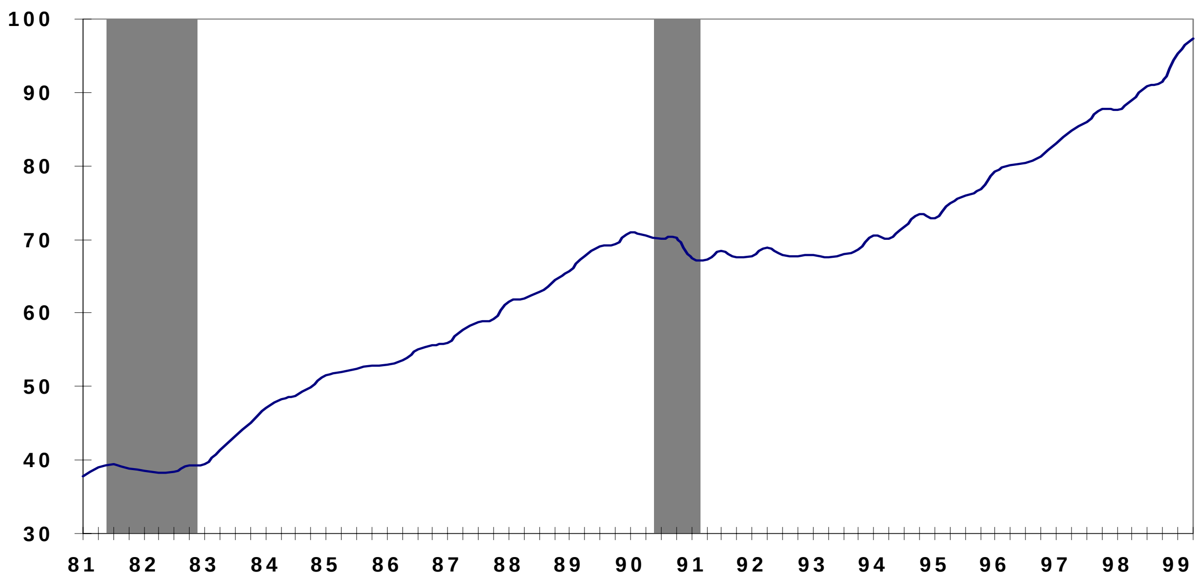
New Housing Units Authorized by Building Permits (Thousands, Seasonally Adjusted at Annual Rate)



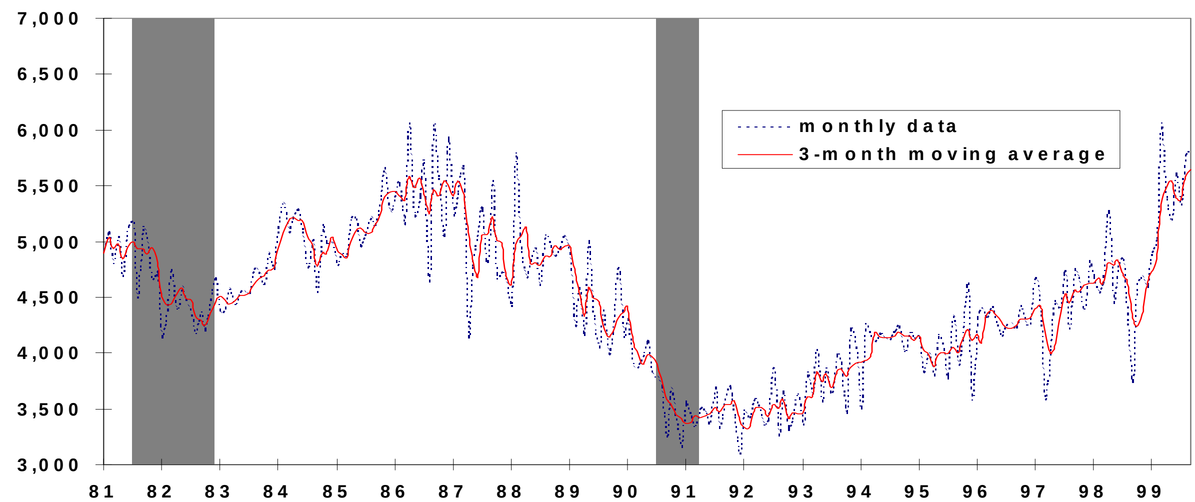
RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION
(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



TAXABLE SALES
(DOLLARS IN BILLIONS, SEASONALLY ADJUSTED)

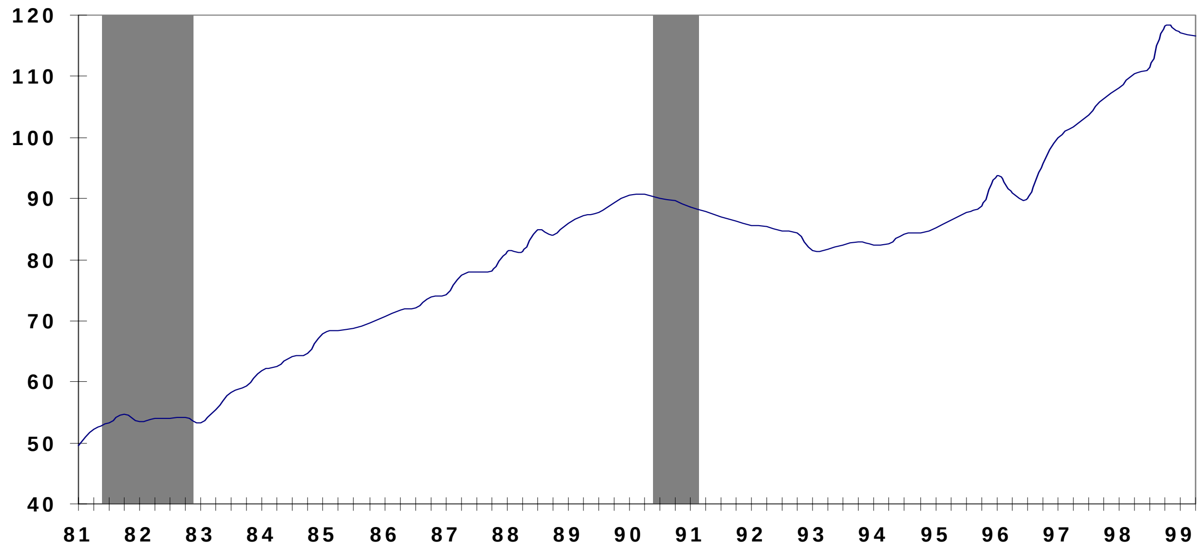


NEW BUSINESS INCORPORATIONS
(SEASONALLY ADJUSTED)



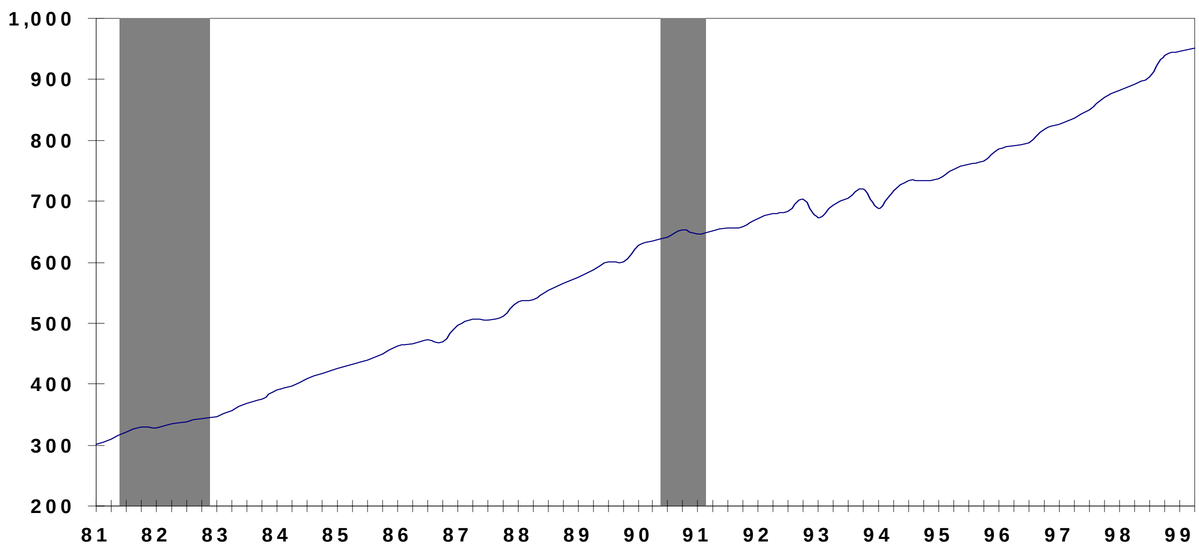
WAGES & SALARIES MINING, CONSTRUCTION & MANUFACTURING

(DOLLARS IN BILLIONS SEASONALLY ADJUSTED)



PERSONAL INCOME

(DOLLARS IN BILLIONS, SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: **http://www.dof.ca.gov/**

A wealth of timely economic information is now available at a new area within the Department of Finance's world wide web site (www.dof.ca.gov). This area contains the most recently released California economic data including employment, income, construction, prices, trade, and recent forecasts. This information is updated on a daily basis.

Go to: *Financial and Economic Data*, then select *Latest California Economic Data*.

The full chronology of significant California economic events dating back to 1956 is also now available on that page at *Chronology of Significant Economic Events*.

1998

June 4	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
June 5-July 28	United Auto Workers strike at General Motors.
June 8	Wells Fargo & Co. and Norwest agreed to merge.
June 12	California's unemployment rate fell in May to its lowest level in nearly 8 years.
June 18	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
June 24	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
June 26	El Niño damage to California's agricultural industry soars to $422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
June	Japan officially declares a recession.
June 29	Chinese and U.S. companies signed $1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
July 10	IMF agreed to provide Russia with an assistance package worth $14 billion.
July 16	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
August 13	Boeing to transfer selected 737 assembly processes to Long Beach, California.
August 14	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
August 17	Golden State Bancorp and California Federal Bank agreed to merge.
August 31	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
September 2	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
September 15	Rockwell International Corp. to eliminate around 900 jobs.
September 17	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
September 21	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than $8 billion so far in the fallout from Russia's financial collapse.
September 29	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
October 2	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
October 6	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
October 7	Raytheon Co. to cut workforce by 14,000.
October 8	Packard Bell NEC to cut U.S. workforce by 20 percent.
October 12	Merrill Lynch will cut work force by 3,400 or 5 percent.
October 15	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
October 30	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
November 12	Brazil reached a pact with leading countries and lenders on a $42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.
November 17	Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
December 1	Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
December 2	NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
December 9	MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.

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CHRONOLOGY

...CONTINUED

1999

January 1	A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
January 13	Brazil devalues its currency sending U.S. stocks into a free fall.
January 21	The 1998 trade deficit hit an all-time high of $175 billion, 58 percent more than the shortfall recorded in 1997.
March 22	OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
March 29	Dow Jones Industrial average topped the 10,000 mark.
April 9	The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.
June 29	Federal funds rate raised from 4.75 to 5.00 percent.
July 28	GDP rose 2.3 percent in second quarter.
September 21	A 7.6 magnitude earthquake hits Taiwan.
September 30	In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.
September 30	Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.
October 4	MCI WorldCom to buy Sprint.
October 13	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
October 15	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.

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